



**MEMORANDUM Management Services Memo No. 15-063**

**DATE:** MAY 14, 2015  
**TO:** MAYOR AND COUNCIL  
**THRU:** RICH DLUGAS, CITY MANAGER RD  
DAWN LANG, MANAGEMENT SERVICES DIRECTOR DLL  
**FROM:** MATT DUNBAR, REVENUE AND TAX MANAGER MD  
**SUBJECT:** INTRODUCTION AND TENTATIVE ADOPTION OF ORDINANCE NO. 4638 AMENDING CHAPTER 60, SECTION 3 OF THE CHANDLER CITY CODE, RELATING TO AUTHORIZATION TO ALLOW FOR LIQUOR LICENSE FEE REFUNDS FOR PERIODS THAT THE LICENSEE IS IN OPERATION, BUT NOT YET RECEIVED THE FINAL LICENSE FROM THE STATE

**RECOMMENDATION**

Staff recommends introduction and tentative adoption of Ordinance No. 4638 amending Chapter 60, Section 3 of the Chandler City Code, relating to authorization to allow for liquor license fee refunds for periods that the licensee is in operation, but not yet received the final license from the State.

**BACKGROUND**

Tax and License (T&L) Division staff recently had discussions with a licensee about the concern that the City charges the Liquor License fee when the application is submitted versus when the license is finally issued by the State, but does not refund any portion once finally approved. The concern by the licensee was that it can take upwards of three to six months to obtain the final Liquor License, but the Liquor License fee has already been paid and cannot be used. The City receives approximately 60 applications per year and this concern is not new. Although staff still supports payment at the time of application, they do believe the ability to refund when the State wait is exceptionally long makes sense.

The City currently prorates the fiscal year Liquor License fee on a quarterly basis starting at \$1,000 and reducing it by \$250 depending on which month the licensee applies. There is currently no provision in City Code for refunding these fees once the license is approved. For example, if a Licensee were to apply in May, they would pay a \$250 Liquor License fee for

the last quarter of the fiscal year. In July, they would be required to pay the new year's fee of \$1,000, even though their actual license was not yet approved by the State. The business then receives their final State approved Liquor License and begins to operate in September. The entire \$250 paid in May for the last part of the fiscal year would be a Liquor License fee paid for a period in which they could not have operated, and under the recommended new City Code language, would be allowable for a refund.

**FINANCIAL IMPACT**

The recommended City Code changes to Chapter 60, Section 3, providing licensees a refund opportunity on approved licenses, is a more business friendly licensing process that is estimated to have a less than \$20,000 impact on Liquor License fee revenue.

**PROPOSED MOTION**

Move to introduce and tentatively adopt Ordinance No. 4638 amending Chapter 60, Section 3 of the Chandler City Code, relating to authorization to allow for liquor license fee refunds for periods that the licensee is in operation, but not yet received the final license from the State.

Attachment: Ordinance No. 4638 (Red Line)

c: Marsha Reed, Assistant City Manager  
Nachie Marquez, Assistant City Manager

**ORDINANCE NO. 4638**

**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF CHANDLER, ARIZONA, AMENDING CHAPTER 60, SECTION 3 OF THE CHANDLER CITY CODE, RELATING TO AUTHORIZATION TO ALLOW FOR LIQUOR LICENSE FEE REFUNDS FOR PERIODS THAT THE LICENSEE IS IN OPERATION, BUT NOT YET RECEIVED THE FINAL LICENSE FROM THE STATE.**

NOW, THEREFORE, BE IT ORDAINED by the City Council of the City of Chandler, Arizona, that the Code of the City of Chandler is hereby amended as follows:

SECTION 1: That Section 60-3 of Chapter 60, Code of the City of Chandler is hereby amended as follows:

**60-3. - City License Tax—Generally assignment or transfer of licenses.**

A. The annual City license tax, issuance tax, and application fee set forth at section 60-4 of this chapter shall be payable in advance, and shall accompany the application for a City license. Notwithstanding the above, owners of established businesses located within any area annexed by the City who possess a valid State liquor license at the date of annexation shall not be required to pay an application fee or issuance tax. Such owners of established businesses need only submit the required license application and annual City license tax within thirty (30) days of annexation.

B. The initial annual City license tax shall be for the period beginning with the date of the original City license application and ending on June 30th next following such application date. If the State license is not granted by the Department of Liquor License and Control, the annual City license tax and issuance tax shall be refunded. If the state license is not granted by the Department of Liquor License and Control until after the expiration of the calendar quarter in which the applicant first applied for the license, the applicant will be entitled to a refund of the prorated license costs associated with any unused period by making written request to the license administrator. The annual City license tax shall thereafter be due on or before July first of each subsequent tax year. Initial City license applications submitted after September 30th shall be prorated as follows:

October 1—December 31	75% of annual license tax
January 1—March 31	50% of annual license tax
April 1—June 30	25% of annual license tax

C. Any City license holder who shall have failed to pay such annual City license tax on or before July 1<sup>st</sup> shall be subject to and shall pay a penalty of ten (10) percent per month, or fraction thereof, of such tax, up to a maximum penalty not to exceed fifty (50) percent of the annual license tax. Such penalty may be waived at the discretion of the License Administrator based on the criteria specified in section 540(f) of the Chandler City Tax Code.

D. A City license may be assigned or moved to another location as provided herein. Except as otherwise herein provided, each application for a transfer of license whether a transfer from person to person, location to location, change of agent for a corporation, or any other type of transfer shall, for the purposes of this chapter, be treated as if the application were for the issuance of an initial City license and the application fee, annual City license tax and issuance tax shall be paid with such application, notwithstanding that the annual City license tax may have been paid with respect to that license elsewhere. Notwithstanding the foregoing, when a City license is assigned or transferred to a new owner, who for the previous twelve (12) consecutive months has been directly involved in the day-to-day operations at the site where the license is located, and when no change of license location is applied for, such assignment or transfer shall not be subject to the issuance tax otherwise required.

E. The licensee shall be obligated to pay the annual City license tax until the Department of Liquor Licenses and Control has canceled the State license for the stated location. The City license shall terminate upon the cancellation of the State liquor license. When an annual renewal tax becomes due while a new license application is in place for the location and the State has issued an interim permit, the renewal tax must be paid in accordance with this section. However, once the new license for the location has been issued by the State, the original licensee shall be eligible for a refund of the unexpired portion of the annual license tax based upon a quarterly allocation of the unused time period.

F. A duplicate City liquor license may be issued by the License Administrator to replace any City license issued hereunder upon payment of a fee of ten dollars (\$10.00).

INTRODUCED AND TENTATIVELY APPROVED by the City Council of the City of Chandler, Arizona, this \_\_\_\_ day of May, 2015.

ATTEST:

\_\_\_\_\_  
CITY CLERK

\_\_\_\_\_  
MAYOR

PASSED AND ADOPTED by the Mayor and City Council of the City of Chandler, Arizona, this \_\_\_\_\_ day of May, 2015.

ATTEST:

\_\_\_\_\_  
CITY CLERK

\_\_\_\_\_  
MAYOR

**CERTIFICATION**

I HEREBY CERTIFY that the above and foregoing Ordinance No. 4638 was duly passed and adopted by the City Council of the City of Chandler, Arizona, at a regular meeting held on the \_\_\_\_ day of \_\_\_\_\_, 2015, and that a quorum was present thereat.

\_\_\_\_\_  
CITY CLERK

APPROVED AS TO FORM:

\_\_\_\_\_  
CITY ATTORNEY 